



#### TRANSLATORS' EXPLANATORY NOTE

Version dated 03.02.2020

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

## Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Wirtualna Polska Holding S.A.

### Report on the audit of consolidated financial statements

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#### Our opinion

In our opinion, the attached annual consolidated financial statements of the group Wirtualna Polska Holding S.A. („the Group”), in Wirtualna Polska Holding S.A. is the parent entity (“the Parent Company”):

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Group and the Parent's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

#### What we have audited

We have audited the annual consolidated financial statements of the group Wirtualna Polska Holding S.A. which comprise:

- the consolidated statement of financial position as at 31 December 2019;

and the following prepared for the financial year from 1 January to 31 December 2019:

- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows and
- additional information containing adopted accounting policies and other explanatory information.

## Basis for opinion

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors (“NSA”) and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (“the Act on Registered Auditors” – Journal of Laws of 2019, item 1421, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (“the EU Regulation” – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

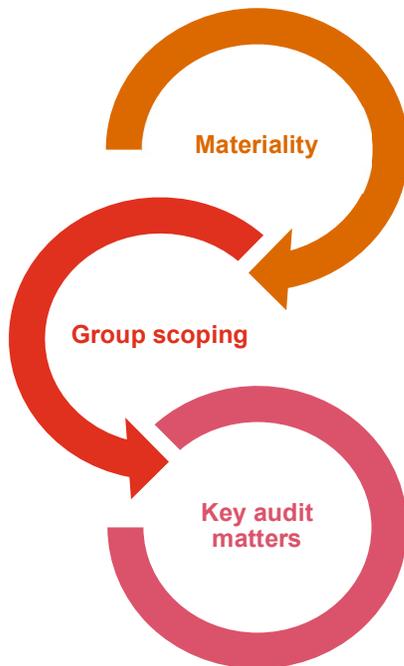
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and ethics

We are independent of the Group in accordance with the International Federation of Accountants’ *Code of Ethics for Professional Accountants* (“the IFAC Code”) as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC’s Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

## Our audit approach

### Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 5.189 thousand, which represents 2,5% of EBITDA as determined during the planning phase.
- We have audited the Parent Company and 3 subsidiaries in Poland (Wirtualna Polska Media S.A., Domodi Sp. z o.o., Wakacje.pl S.A.) and performed selected audit activities on the remaining entities from the Group (Totalmoney Sp. z o.o., Businessclick Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Nocowanie.pl Sp. z o.o., Netwizor Sp. z o.o., Grupa eHoliday.pl Sp. z o.o., WP Zarządzanie Sp. z o.o., Extradom.pl Sp. z o.o., Superauto24.com Sp. z o.o., MyTravel Sp. z o.o., Parklot Sp. z o.o.).
- The audit team visited the following subsidiaries: Wirtualna Polska Media S.A., Domodi Sp. z o.o., Wakacje.pl S.A., Totalmoney Sp. z o.o.
- The scope of our audit covered 83% of the Group’s revenue and 85% of consolidated EBITDA.
- Recoverability of a deferred income tax asset and the existence of inherent uncertainties over income tax settlements
- Impairment of goodwill
- Valuation of the liability in respect of call options for non-controlling shares in Nocowanie.pl



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operated.

### **Materiality**

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

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<b>Overall Group materiality</b>	PLN 5.189 thousand (in 2018 PLN 4.080 thousand)
<b>How we determined it</b>	<p>2.5% of EBITDA as determined during planning phase. We reviewed the materiality assessment during the audit, and found no indicators that would require its reassessment, due to immaterial impact on the audit plan.</p> <p>This measure is an alternative measure to assess the financial performance and has been defined by the Company in note 9 in the consolidated financial statement. The Company's board is responsible for defining and establishing EBITDA, and its calculation may vary between entities.</p>
<b>Rationale for the materiality benchmark applied</b>	<p>We have adopted EBITDA as the basis for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Group's operations and is a generally adopted benchmark. We adopted the materiality threshold at 2.5% because based on our professional judgement it is within the quantitative materiality thresholds acceptable by the auditing standards.</p>

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We agreed with the Audit Committee that we would report to them misstatements identified during our audit of the consolidated financial

statements above PLN 204 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit

of the consolidated financial statements as a whole, and in forming our opinion thereon.

We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of a deferred income tax asset and the existence of inherent uncertainties over income tax settlements</b></p> <p>As at the balance sheet date, the Group recognized a deferred income tax asset of PLN 53,6 million, including PLN 19,4 million relating to tax losses carried forward. In addition in the audited year and previous years, the Group used tax losses in the amount of PLN 42,1 million arising from the sale of shares in a subsidiary. In the audited year, the Group received the results of tax audit carried out by the tax authorities regarding this transaction. Disclosures regarding the deferred tax asset are presented in the Note 33 to the financial statements, and the accounting policies and audit results – in the Note 2 and 4.</p> <p>We paid special attention to analysing the correctness of the recognition of the deferred income tax asset and the recognition of any adjustments to this asset or recognition of deferred tax liabilities related to significant uncertainty regarding income tax settlements due to the fact that the Management Board needs to make material assumptions and judgements. These concern, in particular, to the correct interpretation of applicable tax regulations, assessment of likelihood of final questioning of the interpretation of tax regulations adopted by the Company by the tax authorities, the determination of the tax bases of the individual assets and liabilities, an evaluation of the timing and manner of their settlement, and the probability that future taxable profits will be available, from which tax benefits could be deducted. As disclosed in Note 4 and 17 in assessing the recoverability of a deferred</p>	<p>Our audit procedures covered, in particular:</p> <ul style="list-style-type: none"> <li>• gaining an understanding of and evaluating the process of current income tax calculation and identifying temporary differences and calculation of deferred tax assets and liabilities;</li> <li>• engaging PwC tax experts in analysing tax rulings and correspondence with the tax authorities and in assessing the tax implications of the material transactions to which the Group companies were parties and their effect on the recognition of deferred income tax assets and provisions for tax risks;</li> <li>• discussing with the Management Board of the parent and the subsidiaries and making a critical assessment of: <ul style="list-style-type: none"> <li>(a) the assumptions and estimates made by the Management Board, as regards the recoverability of the recognized deferred income tax assets, and</li> <li>(b) the Management Board’s comprehensive analysis of the tax position of the Group entities as regards the identification and assessment of the transactions and operations which might come under the provisions of the General Anti-Abuse Rule, interpretation of tax regulations adopted by the Management Board regarding the tax consequences of significant transactions to which Group companies were parties and their effect on deferred tax and the tax value of the assets;</li> <li>(c) reviewing the disclosures presented in the financial statements as regards significant estimates and judgements concerning the recognized deferred income tax asset and tax risks arising from the provisions of the General Anti-Abuse Rule.</li> </ul> </li> </ul>

income tax asset and the inherent uncertainties over income tax, the Management Board took into account the provisions of the General Anti-Abuse Rule. Any changes in the assumptions made by the Management Board may lead to recognizing deferred income tax amounts which would differ materially.

Given the inherent risk of uncertainties over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

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#### Impairment of goodwill

In the Group's financial statements, as at the balance sheet date the goodwill balance amounts to PLN 364.3 million and is material to the financial statements (32% of balance sheet total). The goodwill is described in Note 20 to the financial statements and the relevant accounting policies – in Note 2 to the financial statements.

According to IFRSs, the Management Board tests the goodwill allocated to a cash-generating unit for impairment at least at the end of each financial year, by calculating the recoverable amount using the value-in-use approach. Conducting an impairment test involves the need to make a number of material assumptions and judgements concerning, among other things, the adopted strategy of the cash-generating unit to which the goodwill has been allocated, financial plans and cash flow forecasts for the following years, including after the period covered by detailed forecasts, as well as macroeconomic and market assumptions.

As a result of the impairment tests conducted, no impairment was recognized for the goodwill in the financial statements.

Given the inherent risk of uncertainties over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

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#### Valuation of the liability in respect of call options for non-controlling shares in Nocowanie.pl

The value of the liability in respect of

Our audit procedures covered, in particular:

- gaining an understanding of and evaluating the process of estimating impairment for goodwill and the principles for determining cash-generating units;
- analysing the impairment test performed by the Management Board, in particular:
  - (a) a critical assessment of the assumptions and estimates made by the Company's Management Board, used to determine the recoverable amount (a five-year forecast period for future cash flows and the revenue and operating margin levels budgeted therein, the discount rate used, the marginal growth rate after the forecast period);
  - (b) verifying the arithmetical correctness and methodological consistency of the valuation model based on discounted cash flows, using PwC in-house valuation specialists;
- evaluating the Management Board's analysis of the sensitivity of the assumptions made on the results of the impairment assessment;
- evaluating the correctness and completeness of the disclosures as regards impairment tests in the financial statements.

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Our audit procedures covered, in particular:

- gaining an understanding of the model used to measure the liability and verifying its compliance with the provisions of the relevant agreements;

issued call options for non-controlling shares in Nocowanie.pl, recognized in the Group's financial statements, amounts to PLN 37,8 million as at the balance sheet date. This amount is material to the consolidated financial statements (3% of balance sheet total). The liabilities in respect of the options are described in Note 36 to the financial statements, and the relevant accounting policies – in Note 2.

As part of the acquisition of 75% of shares in Nocowanie.pl in the previous years the parties to the transaction granted each other options to purchase/sell the remaining 25% of shares, which were still held by the original shareholders. The liability in respect of the options was initially recognized in correspondence with the equity attributable to equity holders of the parent, whereas following the initial recognition it is measured at amortized cost and changes in the estimated redemption amount are recognized in profit and loss, whereas cost of interest is recognized in financial costs.

The value of the liability in respect of the options is affected by the EBITDA level and the revenue level which are estimated by the Management Board.

As at the balance sheet date, the Management Board estimated the expected future cash flows from the exercise of the options, as part of which it updated several material assumptions made in the previous year, concerning the companies' results of operations in the future.

Given the inherent risk of uncertainties over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

- analysing the valuation performed by the Management Board, in particular:
  - (a) an independent assessment of the assumptions made by the Company's Management Board, concerning the companies' future results of operations (among other things, EBITDA, revenue) and an estimation of the originally adopted discount rate;
  - (b) verifying the arithmetical correctness and methodological consistency of the valuation model, using PwC in-house valuation specialists, and verifying its compliance with the provisions of the relevant agreements;
- evaluating the Management Board's analysis of the sensitivity of the assumptions made to the value of the liability;
- verifying the payments made on the basis of the source documentation;
- evaluating the correctness and completeness of the disclosures as regards liability in respect of the options.

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## Responsibility of the Management[and Supervisory Board for the consolidated financial statements

The Management Board of the Parent is responsible for the preparation of annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted

accounting policies, the applicable laws and the Parent's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Parent's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

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## Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not cover an assurance on the Group's future profitability or the efficiency and effectiveness of the Parent's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by the Parent's Management Board.

- Conclude on the appropriateness of the Parent's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and



to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current

period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other information, including the Report on the operations

## **Other information**

Other information comprises a Report on the Group's operations for the financial year ended 31 December 2019 ("the Report on the operations") and the corporate governance statement and the statement on non-financial information referred to in Article 55(2b) of the Accounting Act which are separate parts of the Combined report on the operations, together ("Other Information").

## **Responsibility of the Management and Supervisory Board**

The Management Board of the Parent is responsible for preparing Other Information in accordance with the law.

The Parent's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Group's operations including its separate parts complies with the requirements of the Accounting Act.

## **Registered auditor's responsibility**

Our opinion on the audit of the consolidated financial statements does not cover Other Information.

In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Combined report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company provided the required information in its corporate governance statement and to inform whether the Parent Company prepared a statement on non-financial information.

## **Opinion on the Report on the operations**

Based on the work we carried out during the audit, in our opinion, the Report on the Group's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted

by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757);

- is consistent with the information in the consolidated financial statements.

Moreover, based on the knowledge of the Group and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Group's operations

## **Opinion on the corporate governance statement**

In our opinion, in its corporate governance statement, the Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the consolidated financial statements.

## **Information on non-financial information**

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Parent entity and the Group Have prepared a statement on non-financial information referred to in Article 55(2b) of the Accounting Act as a separate section of the Report on the operations.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

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## Report on other legal and regulatory requirements

### Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Parent and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the note 45 to the consolidated financial statements.

### Appointment

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 30 April 2014 on grounds of Parent's entity articles of association and re-appointed by resolution of Supervisory Board dated 15 February 2016. We have been auditing the Group's consolidated financial statements without interruption since the financial year ended 31 December 2014, i.e. for 6 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Paweł Wesółowski.

Paweł Wesółowski  
Key Registered Auditor  
No. 12150

Warsaw, 11 March 2020